

Audit's[®] NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

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BI-MONTHLY RELATIVE APPEAL RANKINGS & ADVISORY

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PORTFOLIO ADVISORY: EARNINGS AND DIVIDEND ESTIMATES BEING SELECTIVELY PROVIDED

Estimates of earnings and dividends for selected trusts begin in this issue of RELATIVE APPEAL RANKINGS. This is only being done where a degree of confidence permits a meaningful estimate.

This is not to imply that absence of an estimate means a negative attitude toward a trust or its operating earning power. Several trusts are well in the black but prospects are sufficiently up in the air to make profit pinpointing academic or even misleading. For example, bad winter weather increased utility operating expenses at many northern properties thereby distorting reported profits for property and property combination trusts.

And for such trusts whose earnings patterns are just becoming reestablished, firm numbers should be in hand before going off the deep end. Let's face it, for many trusts the nature of portfolio flux and management experience does not permit confidence in projections without more numbers.

The crux of our new approach is that a substantial minority warrant this new approach. Many property, property combination, long-term oriented and even a few short-term mortgage lenders warrant projections for modest time lengths. A few of the old-line property trusts always merited this confidence but now more have joined their company.

More trusts are again profitable having participated in the real estate recovery. Several have even put together fair strings of quarters in the black, most of these on an ascending scale.

All this is not to imply that estimates, even if proved correct, will necessarily enable greater market profits in the shares. The contrary is probably true. The biggest profits are usually made in stocks when things are so bad, share prices so depressed, that improvement itself, much less quantification by way of earning estimates, is hardly thought about.

The recent experience of U.S. Bancorp Trust is a case in point. Long a "2N" share, dividends were resumed this month. The shares rose 1/8 that week. But they had climbed almost continually the preceeding 2½ years, almost triple their low.

This hardly means estimates are not needed. Even though price gains in trust shares are likely to be more belabored, this is the time to sharpen pencils so you have a better idea of what you are getting.

REAL ESTATE DISCLOSURE DIGEST July 7th issue: Uptrend in interest rates lasting longer; S&L stocks strong; Mitchell Energy's New Town grows. Single copies: \$6 prepaid

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TOUGHER REIT SHARE MARKET: ELEVEN RANKINGS REVISED DOWN, NINE RAISED

The market for many REIT shares has become sloppier in recent months. There have not been big drops but some have drifted off.

Weakness has centered in the better trusts, dividend payers with good-sized portfolios. This appears to reflect higher interest rates. Although many trusts are internally immune to interest rate fluctuations, the shares compete for investment with bonds and other money instruments whose yields have risen.

With some trust shares looking a bit tired in the market and many prices reflecting internal improvements, do not expect to make profits as quickly or as large as previously. Present yields, however, are now becoming supportative for most dividend payers and internal improvements are still forthcoming from most.

Thus current yield and modest capital appreciation are still reasonably expected from the industry's securities at these prices.

Downgrading of ratings resulted mostly from internal disappointments and more demanding criteria we believe these times require.

American Fletcher Mortgage's downgrading to 5N from 4N reflects continued concern over absence of an auditor's opinion.

Ditto the dropping of CI Mortgage to 5N whose difficulties are compounded by continued absence of a new credit agreement which raises the specter of imminent bankruptcy including the Chapter X liquidation variety. The other side of this coin is a pending swap program which could restore positive equity so this is not a dead situation by any means.

Citizens Mortgage is lowered to 5N for similar reasons, no auditor opinion and debenture interest default. But a long awaited tender offer, if it comes, could provide breathing room.

First Newport and First Pennsylvania were both dropped to 4N from 3N. Obviously troubled but progress was disappointing in recent quarters. Barnes Mortgage is somewhat in this vein although a stronger troubled situation. Nevertheless, losses continue to erode book value and is compounded by liquidity deficiencies.

UMET Trust's disappointment was of greater proportions with a disastrous May quarter. Hence it went to 4N from 2N.

North American Mortgage was cut to 3N from 2N. Although a better quality portfolio among unprofitable trusts, recovery still has not been noteworthy.

Some shares were reduced because outside events demand tougher appraisals. BT Mortgage was lowered to 4N simply because big city bank sponsorship is uncertain and can't be definitely relied on.

Tri-South Mortgage's failure to achieve tender levels necessary to allow debt restructuring, it got 43% and 46% of its subordinated debentures, puts it in a difficult position. Prudence dictated lowering to 4N from 3N for now. Interest will be paid on the new debt but not the old debentures. They could yet come out but the failed tender interrupted possible return to viability.

The higher share price warranted TMC Industries being brought down to 3N from 2N.

Several trust shares appeared in better positions. Citizens & Southern's tender was accepted by the banks making it a 4N. Continental Illinois Properties' dividend may have a higher percentage tax free giving above average effective yield worth a 2.

Eastover (was First Commerce) paid off banks and new management is looking for deals. It's now a 3N although higher hopes were partly discounted by a jump in the share price.

Several marginal trusts significantly improved their positions worthy of being classed average at current prices, hence 3N from 4N. Mission Investment may have stabilized book value, repayed some banks and may derive capital gains from some properties. Texas First had big bank paydowns, better land sales and is looking to merge. TIERCO had a big improvement in offices and is nearing breakeven.

Mortgage Trust America goes to 2N on the strength of profit attainment although numbers were helped by gains. M&T Mortgage goes up to 2 looking like above-average value. Lomas & Nettleton is one of the best mortgage lenders whose shares have come under unjustified pressure because of rising interest rates. Hence it looks like a 1.

Relative Appeal (RA) Rankings, shown in the extreme left column, give Audit Investment Research's current view of relative attractiveness of current share purchases. All trusts are ranked from 1 to 5 based upon dividend and capital preservation outlook. Non-dividend paying trusts are designated with an "N" beside their ranking. Each trust comment contains brief advice on suitability of both shares and bonds. Average market risk is assumed for all share purchases. Changes in rankings are indicated by UP DOWN.

Relative Appeal Rankings mean:

- 1--Highest appeal with lowest market risk; Dividend outlook stable to up, or may be resumed shortly.
- 2--Above average appeal, somewhat higher market risk; Dividend increases or resumption expected over 1-2 years.
- 3--Average appeal and market risk; Dividend fluctuates or resumption possible longer term.
- 4--Below average appeal, high market risk; Dividend cuts or omissions possible.
- 5--Least appeal; Dividends in peril or not foreseen; Serious problems: SEC trading halt; no auditor's opinion; serious debt defaults; Chapter XI; negative equity; banks calling loans.

NON-DIVIDEND paying trusts are not recommended for income investors, but may have special trading appeal as speculations upon quick price moves based on dividend resumption, trust recovery, money market rates or other news.

Portfolio shows: invested assets in millions of dollars (M); % of problem, non-earning assets; & property type mix.

Financing shows: leverage ratio of all debt to shareholder equity (over 20-to-1 ratio shown as "high leverage"); current financing arrangements.

Earnings and Div. are latest quarter share amounts for earnings and dividends. Estimates (E) for current or following fiscal years where feasible. EPS=earnings per share; CFS=net cash flow per share. Data, rankings and advice reviewed bimonthly. ("Date reviewed" shows latest review in either Realty Trust Review (RTR) or comprehensive REIT Evaluation (EVAL)).

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 3N-ALAMAND CORP. (was Benef. Std. Mtg.) (EVAL 3/7/8-Mtg/Forcl prop-July FY) Plan holding corp. to manage prop. & diversify. Port: \$54M, 66% non- & 7% low-earn; 65% foreclosed; Mix: 30% land, 19% condos. Financing: High leverage; \$26M debt to 12/78 at 125% of prime, accruing, possible 4% forgive. Earnings: Apr. Q EPS 22¢ after 43¢ gain. Converts: Spec. yield. Shares: Trading, spec. on acq. diversification
- 3N-AMER CENTURY (EVAL 12/14/7-Mtg/Forcl prop-June FY) Port: \$115M, 34% non- & 29% low earn; 69% foreclosed; Mix: 10% condos, 16% land, 33% office, 17% hotel. Financing: 6.3 leverage; \$67M bank debt at 5% minimum or net income, to 10/1/78. Earnings: June '77 FY d90¢; E'78: smaller loss; Mar. Q d7¢ after 15¢ extra items. Condo sales strong. Bonds: Spec. yield. Shares: Hold, moderate recovery at 50% below book value.
- ↓ 5N-AMER FLETCHER (EVAL 3/7/8-Mtg/Forcl prop--Jan FY) NON-QUAL TRUST. Port: \$66M, 94% nonearning & reduced rate; 75% foreclosed; Mix: 20% condos, 48% land & devel. Financing: \$0.2M neg. equity; \$35M bank debt to 7/31/78 at 2% inter. with prepayments met. Earnings: Jan. '78 FY d\$1.03; Apr. Q EPS 67¢ after 59¢/sh. int. forgiven. No auditor's opinion '78. Shares: Trading.
- 4N-AMER REALTY (EVAL 7/29/7-Prop.&Mtg.-Sep FY) NON-QUAL TRUST. Port: \$39M, 34% nonearning; Mix: 19% mtgs, 74% equity, 7% foreclosed; 40% hotels/motels, 29% land. Wash., D.C. area. Financing: 3.9 leverage; \$13M notes secured by assets; bank debt being restructured. Earnings: Mar. Q EPS d16¢. Bonds: 7% conv. int. def. 5/78. Shares: Trading; recovery prospects better.
- 4N-API TRUST (No review-Property-Mar FY) Port: \$47M, E10% nonearning; 79% in property, most net leased, & 21% in mtgs. Financing: 4.8 leverage; 46% by mortgages on property, 54% short-term loans. Earnings: Dec. Q EPS d47¢ after 44¢ loss prov; No Div. Shares: Large investor sold 197,000 shares, 19%. Speculation on uncertain values.
- 3N-ATLANTA NATL (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Port: \$27M, 46% nonearn; 25% foreclosed. Mix: 19% medical, 10% condo, 25% apts.; 31% FL; 31% TX. Financing: 0.8 leverage; \$9.2M bank debt to 1/81 cut to 115% of prime retroactive to 2/1/77, when L/T mtg. pre-paid & bank debt repaid; Assets pledged. Earnings: Aug. '77 FY d\$1.51; Near breakeven; Feb. Q EPS d4¢. Shares: Fair recovery speculation at 49% below book value. Group owns 17%.
- 3 -BAIRD & WARNER (EVAL 12/14/7-ST mtg.-July FY) Port: \$46M, 22% nonearn; 4% foreclosed; 32% indust., 17% condos, 15% apts. New commitments. Financing: 1.6 leverage; Bank lines \$32M (\$13M borrowed). Dividends: Paid four 3¢ qtrly. from FY'77 income. Earnings: Apr. Q EPS d8¢; July '79 FY E internal imp. Converts: Speculative yield. Shares: Hold for low yield & long-term recovery.
- 2 -BANKAMERICA RLTY (EVAL 7/29/7-Prop.&Mtg.-July FY) Port: \$175M, 19% nonearning; Mix: 44% property: 27% apts., 20% shop. ctrs., 20% office, 14% hotel. New commitments. Financing: 2.3 leverage; \$50M comm. paper. Earnings: July '78 FY good oper. profit seen; Apr. Q EPS 31¢ after 7¢ inter. recap. Div: 20¢, up 33%. Converts: For yield. Shares: Buy/hold for medium yield & recovery toward book value.
- ↓ 3N-BARNES MTG (EVAL 5/23/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port: \$76M, 70% nonearn; 36% foreclosed; Mix: 46% condo, 23% land & const.; 32% Puerto Rico, 43% Fla. Financing: 2.4 leverage; \$52M debt at 125% of prime, to 12/80. Repayments late. Earnings: Mar. Q EPS d20¢ after 21¢ gains; Sept. '78 FY further losses; Shares: Recovery speculation; book value eroding. Building out properties.
- 4N-BARNETT MTG (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Self-adm. 4/78. Port: \$139M, 91% non&low earn; 79% foreclosed. Mix: 23% condos, 26% apts., 22% land. Financing: \$24M neg. equity; New \$76M restructured six-year bank credit at: 1% inter., 53% asset pledge. Earnings: Dec. Q EPS d72¢. Big Mar. Q restru. gains still left neg. book value. Bonds: About 67½% of holders took cash or new paper. Shares: Speculative interest because restructuring succeeded.
- 5N-BARNETT-WINSTON (EVAL 9/19/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port: \$49M, 70% non-earn, 60% foreclosed; Mix: 38% apts., 31% land. Financing: \$2M neg. equity; bank debt paid down to \$2M; debent. int. default 12/76. Earnings: Mar. Q EPS d77¢ after 35¢ loss prov. Bonds: In default; proposing \$580 cash or new 5% debent. Shares: Avoid till bonds restructured. Name to change.
- 2N-BAY COLONY PROP (RTR 8/12/7-Volun Prop-May FY) NON-QUAL TRUST. Self-admin. Port: \$193M, 59% non- & 13% low earning; 47% foreclosed; 25% undevel. land, 75% completed props.; 19% hotel, 26% apts. Financing: 7.1 leverage; Restruct. \$92M bank debt into \$24M 3% notes; \$68M 8½% + contin. int. to 5/86. Earnings: May '79 FY loss seen; Feb. Q EPS 7¢ after 15¢ swap gain. Bonds: Hold. Shares: Trading/buy for recovery at 54% below eroding book value.
- 4N-BRT REALTY (RTR 12/10/3-Prop&Mtg-Nov FY) Port: \$26M, 60% non- & 7% low-earn; 39% held for sale; Mix: 44% hotel/motel, 18% condos, 15% land & devel. Financing: 4.3 leverage; \$11M debt at ½% over prime to 7/1/81. Earnings: Feb. Q EPS d5¢ after 7¢ loss provision. Shares: Long recovery.
- ↓ 4N-BT MTG INVESTORS (EVAL 12/14/7-LT mtg/prop.-Sep FY) CAN END REIT. Port: \$127M, 72% nonearn, 35% foreclosed; Mix: 31% apts., 14% land, 10% nursing homes. Financing: \$6M neg. equity; \$90M bank credit to 9/29/78 at 2% + contingent int.; Sponsor Bankers Trust N.Y. lends 55% of credit. Earnings: Mar. Q EPS 31¢ after 79¢ swap gains. Bonds: Speculative yield. Shares: Avoid; High risk speculation.
- 5N-BUILDERS INV (EVAL 5/23/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port: \$221M, 66% non- & 19% low-earn; 39% held for sale; 29% condos, 24% land. Financing: \$4M neg. equity; \$120M debt at 2% to 9/79, 3% to 9/80, 115% of base rate after, with asset pledge & contingent interest. Some debt repayments deferred. Swapping assets. Earnings: Mar. Q EPS d72¢ after 20¢ gain. Shares: Avoid; Looks overpriced.
- 3N-CAMERON-BROWN (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port: \$116M, 43% non- & 45% low-earn; 72% foreclosed; 35% apts., 30% land & develop., 17% condos. Financing: 6.4 leverage; \$69M credit at 3% min. int. or income to 12/79. Earnings: Dec. '77 FY d\$1.58; Mar. Q EPS d25¢ after 52¢ swap gain & 34¢ loss prov. Shares: Trading or L/T spec. Book value eroding; starting to swap.
- 3N-CAPITAL MTG (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port: \$65M, 53% nonearn, 38% foreclosed; Mix: 36% land, 29% L/T loans; 55% MD & VA. Developing land. Financing: \$1M neg. equity; \$38M bank credit at higher of net cash income or 1% to 7/31/78 & 3% to 7/31/79. Earnings: Mar. Q EPS 49¢ after 24¢ loss prov. & 65¢ swap gain & 19¢ sale gain. Converts: Spec. yield. Shares: Trading/limited recovery. Merger possible.

RELATIVE APPEAL RANKINGS-Continued from page 3

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 2N-CENTRAL MTG (EVAL 5/23/8-ST-Mar FY) Port.: \$21M, 22% non- & 16% low earn; 37% foreclosed; 31% land, 38% apts., 15% comcl. & indust. Financing: 1.6 leverage; \$17M bank credit to 4/79 at 117% of prime, permits \$3M new loans. Earnings: Mar. Q EPS 3c mostly from sales gain; Mar. '79 FY breakeven seen. Shares: Buy/hold for LT recovery at 46% below book value. Selling land.
- 5N-CHASE MANHATTAN MTG (EVAL 3/7/8-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Port.: \$293M, 94% nonearn; 6% held for sale. Reorg. as realty owner-operator. Financing: \$17M neg. equity; bank debt \$150M; \$160M bank loan to 12/81 at 6% inter.; missed May 1 bond maturity. Earnings: Feb. Q EPS \$1.37 after 19c gain. Bonds: For workout. Shares: Avoid. Missed repaying \$37M 7-7/8 sr. debt 5/1/78; Seeks pre-planned Chap. XI giving sub. debt equity; Sponsor walking.
- 5N-CI MTG GROUP (EVAL-3/7/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Port.: \$248M, 85% nonearn, 60% foreclosed; Mix: 48% apts., 15% land. Financing: \$15M neg. equity; \$207M bank credit accruing at 2% cash interest increasing to 6% at maturity 6/30/80; June '77 principal repayment missed & still negotiating; all assets pledged. Hope for pos. equity from swap. Earnings: Apr. Q EPS d24c. No auditor's opinion '77. Shares: Trading speculation on bank concessions; otherwise bankruptcy or liquidation possible.
- 2N-CI REALTY INV (EVAL 8/8/7-Volun prop-Feb FY) NON-QUAL TRUST. Port.: \$105M, 7% nonearn, 1% held for sale; Mix: 92% ownership, 7% mtgs.; 41% apts., 48% NYC offices; two buildings now 98% leased. Financing: 1.5 leverage; Mortgaging offices to repay banks. Earnings: Feb. '79 E EPS 20c & CFS 90c; Feb. Q EPS 13c after 23c gain, CFS 26c after gain. Shares: Merger spec.; 12% bought by outside group & 13% by advisor.
- 3N-CITINATIONAL DEV (No review-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Port.: \$12M, 80% non-&low-earning; 80% foreclosed. Mix: 31% office, 28% 1-family. Financing: 0.4 leverage; \$3M debt to parent bank at prime. Earnings: Dec. Q EPS d12c. Shares: Limited interest.
- 4N-CITIZENS & SO RLTY (EVAL 3/7/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Port.: \$231M, 36% non-earn. 27% for sale; Mix: 17% shop. ctrs., 17% land, 26% apts.; 36% GA, 24% FL. Financing: \$12M neg. equity; \$173M bank credit accruing at 1% cash inter. extended to 9/82, will swap \$75M. Earnings: Mar. Q EPS d20c. Bonds: 51% tender okayed by banks. Some workout possible. Shares: High risk until physical progress shown; still very tenuous.
- 3N-CITIZENS GROWTH (RTR 2/10/8-Prop-Jan FY) NON-QUAL TRUST. Port.: \$10M, 51% nonearn; 24% foreclosed. Mix: heaviest motels & land. Financing: 0.4 leverage; \$1.5M bank credit to 7/80 at 5%, reduced to 4% upon \$200T repayment; assets pledged. Swaps cut debt. Earnings: Jan. Q EPS d88c after 43c swap gain & 88c loss prov. Jan. FY d\$1.30 after 48c gain. Shares: Buy/hold moderate LT recovery; broker group bought 16%.
- 5N-CITIZENS MIT (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$70M, 72% non-&low-earn; 68% foreclosed; Mix: 38% land & develop., 14% condos, 20% apts. Financing: \$24M neg. equity; \$56M bank loan expired 10/76; Proposes swapping most assets for bank debt & tender at 40 for notes after bank approval. Earnings: Mar. Q EPS d56c after 10c loss prov. credit. No auditor opinion '77. Subor. notes: In default 4/15/78 & 15% of holders seek acceleration. Shares: High risk restructuring speculation; Potential dilution.
- 2N-CLEVETRUST RLTY (EVAL 12/14/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$92M, 43% non-& 15% low-earn; 51% foreclosed; Mix: 67% equity incl. foreclosed; 27% apts., 27% comcl., 18% land, 17% office. Financing: 2.2 leverage; \$33M bank debt to 12/78 at prime but not over 7%; Earnings: Sees Sept '78 profit on asset sales; Mar. Q EPS 73c after \$1.29 gains. Shares: Buy/hold LT recovery.
- 4N-COLWELL MTG (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) Port.: \$136M, 26% non- & 19% low earn, 58% foreclosed & refinanced; 35% apts., 18% hotel/motel, 16% shop. ctrs. Financing: Pro forma 10.4 leverage, \$109M bank debt; pre-planned Ch. XI. confirmed April 1978 giving banks 8% int. with debent. getting 40% & 34% of par + preferred. Earnings: Mar. Q EPS d25c. Shares: New preferred interesting
- 1 -CONN GEN M&R (EVAL 12/14/7-Prop & Mtg.-Mar FY) Port.: \$345M, 12% non & 4% low-earn, 6% foreclosed; Expanding properties; Now 37% regional shop. ctr., 31% residen. Financing: 2.1 leverage; \$231M debt. Earnings: Mar. '78 FY EPS \$1.50; oper. CFS \$1.73; E '79: small gain; Mar. Q EPS 33c, CFS 44c. Div: 40c unch. Converts: Low, safe yield. Shares: Buy/hold long term.
- 4 -CONSOL CAP RL (EVAL 8/8/7-Property-Nov FY) Port.: \$132M, 0 nonearning; 82% apts. with 8,440 units, 16% shop. ctrs.; 51% Texas. Financing: 2.5 leverage, \$94M secured mtgs. Earnings: Feb. Q EPS 3c after 6c gain; CFS 50c before gain. Div: July monthly 17c unch. & about 100% capital gains or taxfree capital return. Shares: Speculative income, over book.
- 2 -CONT ILL PROP (EVAL 8/8/7-Property-Oct FY) Port.: \$284M, 0.2% foreclosed & nonearn; Mix: 40% apts., 28% shop. ctrs., 23% office bldgs. Financing: 2.0 leverage; \$34M bank lines and \$177M mortgages on property. Earnings: Oct. '77 FY EPS 55c; '78 FY E EPS 35-40c, CFS \$1.25-.30; Apr. Q EPS 7c; CFS 31c. Div: 32c. Shares: Cash flow up on larger port.; Yield and some longer term appreciation.
- 3N-CONT ILL RLTY (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) CAN END REIT. Port.: \$160M, 56% non & 15% low-earn; 39% foreclosed; Mix: 12% condos, 17% apts., 38% land. Financing: High leverage; Bank debt cut to \$83M at 1% minimum inter. or income + contin. int. at 130% prime, to 7/31/78; exten. to 12/80 pending. Earnings: Mar. Q EPS d9c; Mar. '78 FY EPS d71c before gains. Bonds: Tender/swapout spec. Shares: Hold for long recovery, possible success as owner/developer.
- 5N-CONTINENTAL MTG (EVAL 5/9/8-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. No financial statements since Dec '76. Latest data: Port.: \$590M, 91% problem. Financing: \$72M neg. equity; Total debt \$578M; Filed Ch. XI 3/8/76 & liquidation ordered but stayed by Chapter X filing 10/22/76. Earnings: Unofficial: d4c/sh. 10 mo. to Jan. 31, 1978. Bonds & shares: Avoid, protracted litigation.
- 4N-COUSINS MTG&EQ (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Self-adm. Port.: \$156M, 73% nonearn; 58% foreclosed; Mix: 19% apts., 44% land/develop., 20% hotel/motel. Financing: High leverage; \$83M debt at income or 2%, plus contin.; to at least 12/31/79. Earnings: May Q EPS d15c. Bonds & shares: Interesting high risk spec. on pending reorgan. to holding co. diversification.
- 2 -DENVER REIA (RTR 10/14/7-Property-Dec FY) Port.: \$51M. Mix, by revenues: 12% apts., 22% shop. ctrs., 14% motel, 48% office & commercial, 4% mtgs.; all Colo. Financing: 4.4 leverage; \$32M property mortgages, \$5M debentures. Earnings: Dec. Q EPS 41c incl. 11c gain. CFS 55c ex gain. Div: June 18c; '76 div. 35% tax-free. Shares: Buy/hold for income and growth; big improvement in '78 cash flow.
- 1N-DIVERSIFIED MI (EVAL 9/21/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$136M, 79% nonearn, 29% foreclosed; Mix: 65% secondary & 13% primary homesites, 21% raw land, 10% LT mtgs. \$25M loan repaid. Financing: 0.7 leverage; \$44M due Con. Ill. Bank 12/31/79 at 118% prime. Earnings: Mar. Q EPS 16c after 34c extra. gain. Shares: Long-term recovery spec. 68% below book; voting corp.; merger discussions.
- 5N-DOMINION M&R (No review-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Self-adm. Port.: \$34M, 38% non- & 46% low-earn, 76% foreclosed; Mix: 1/3 condos (mostly FL), 1/3 apts. Financing: \$7M neg. equity; Total debt \$35M; Chapter XI filed 6/28/77. Earnings: Feb. Q EPS d3c. Bonds & shares: Avoid but cash is accumulating during bankruptcy.
- 3N-EASTOVER CORP. (was FIRST COMMERCE) (EVAL 3/7/8-Mtg./Forcl prop-Dec FY) CAN END REIT. Self-adm. Port.: \$27M, 54% non-& 18% low-earn; 65% foreclosed; Mix: 68% land; 49% LA, 51% other South. Financing: 0.9 leverage; bank debt repaid 4/28/78 from asset sales. Earnings: Mar. Q EPS d6c. Shares: Speculation on more aggressive workout, deals under new management.
- 3 -EQUIT LF MTG (RTR 4/14/8-LT mtg.-Oct FY) Port.: \$385M, 9% nonearning; 33% LT mtgs., 58% ST const. & devel.; Expanding ST; Mix: 29% shop. ctrs., 18% tracts & land. Financing: 1.8 leverage; \$245M debt: 55% comm. paper, 21% term notes, 20% short-term notes. Earnings: Oct. '78 FY E EPS \$1.90-2; Apr. Q 46c. Div: 50c; E '78 \$2. Shares & bonds: Hold, EPS vulnerable to short term interest rates.
- 2 -FEDERAL RLTY (EVAL 8/8/7-Property-Dec FY) Self-administered. Port.: \$30M, no nonearning; cash flow 26% apartments, 74% shopping centers; mostly Wash., D.C. area. Financing: 1.2 leverage; \$17M debt, 86% secured mtgs.; Earnings: Mar. Q EPS 35c after 6c gain, Dec. FY '78 E higher. Div: 34c; E '78 \$1.36. Shares: Buy/hold income and modest growth; high quality. Adding shopping centers.
- 4N-FIDELCO GROW (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$119M, 81% nonearn; 61% foreclosed; Mix: 31% land (developed & raw), 31% condos, 14% apts.; 31% Penn., 25% Fla. Financing: 17.4 leverage, \$90M bank credit to 11/30/78 at 1% cash + earnings; swapping assets. Earnings: Feb. Q EPS 76c after 5c swap gain & 94c settlement gain. Shares: Speculation on sponsor aid.

RELATIVE APPEAL RANKINGS-continued from page 4

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 2 -FIRST CONTNL (EVAL 5/23/8-ST mtg.-Feb FY) Port.: \$45M, 9% nonearn, 5% foreclosed; Mix: 51% const. loans, 38% devel., 10% land; 86% TX. Financing: 1.4 leverage; \$32M bank lines at 1/2% over prime, 10% + 10% balances, to 7/78; must pledge assets equal to debt if demanded. Earnings: May Q EPS 25c; Feb. '79 FY E \$1.00-1.05. Div: 24c, up 1c. Making new commitments. Shares: Hold speculative income & recovery.
- 3N-FIRST DENVR MI (EVAL 4/10/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$62M, 56% nonearn; 31% foreclosed; Mix: 18% land, 19% condos-secondary, 11% condos-primary, 14% motels. Financing: 4.2 leverage; assets pledged; \$41M bank debt to 5/31/81; 3% in '78, 6% in '79 or cash flow, 125% prime in '80. Earnings: Dec. Q EPS \$2.56 after \$2.42 swap gain. Shares: Trading, recovery speculation.
- 3 -FIRST FIDELITY (EVAL 8/8/7-Property-Nov FY) Port.: \$30M, Est. 3% nonearn; Mix: 53% shop. ctrs., 33% office. Financing: 2.3 leverage; \$21M secured mtgs. Earnings: Feb. Q EPS 8c; CFS 7c. Div: Dec. '77 10c. Shares: To liquidate, relatively unattractive, speculation on liquidating at or above \$10.55/sh. book value. One group owns 9% of shares.
- 4N-FIRST MEMPHIS (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$49M, 44% non- & 27% low-earn; 59% foreclosed; Mix: 25% land, 22% offices, 14% industrial, 20% apts.; 34% Tenn. Financing: 7.7 leverage; \$27M bank debt at 2% + contingent interest to 11/30/78, swapping assets. Earnings: Feb. Q EPS 70c after \$1.16 swap gain; Shares: Speculative till workout progresses.
- 5N-FIRST MTG INV (EVAL 5/23/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-adm. Port.: \$286M, 22% non- & 44% low-earn; 52% foreclosed; Mix: 31% hotel/motel, 28% apts., 8% land, 17% office. Financing: \$53M neg. common equity; \$212M credit at 1 1/2% or net income, expires 8/31. Earnings: Jan. Q EPS d58c after \$1.12 gain. Bonds: For asset swaps. Shares: Avoid, high risk.
- 4N-FIRST NEWPORT RL (EVAL 9/19/7-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$113M, 47% non- & 21% low-earn; 44% foreclosed; Mix: 31% condos, 14% land, 22% hotel/motel. Financing: 10.2 leverage; \$58M bank debt at higher of 1% to 11/78, plus contin. int.; renego. reduced repaymt at higher int. rate. Earnings: Apr. Q EPS d43c. Bonds: Hold. Shares: Long hard recovery, progress disappointing.
- 4N-FIRST PENN MT (EVAL 4/10/8-Mtg/Forcl prop-July FY) NON-QUAL TRUST. Port.: \$151M, 77% nonearn, 60% foreclosed; Mix: Heavy condos, comcl. & indust. land; 21% Fla. Financing: 19.2 leverage; \$93M bank debt at 5%, accrue to prime with interest forgiveness. Asset swap. Earnings: Apr. Q EPS d64c after 35c int. forgiven. Converts: Mar. 1 payment paid May 27. Shares: Trading, book value falling.
- 2 -FIRST UNION (EVAL 6/17/7-Property-Oct FY) Port.: \$197M, E7% low earn; Mix: 70% major office, 25% shop. ctrs.; Bought \$9M offices; internally managed. Financing: 3.4 leverage; \$141M debt: 71% secured mtg., 17% short, 9% conv.; \$10M preferred. Earnings: Apr. Q EPS 23c & CFS 30c after 2c gain; Oct. '78 FY E EPS 85c, CFS \$1.05. Div: 26c, E \$1.04. Shares & Bonds: Buy for quality income.
- 3N-FIRST VIRGINIA (EVAL 9/21/7-Mtg/Forcl prop- Jun FY) NON-QUAL TRUST. Self-adm. Port.: \$70M, 42% non- & 8% low-earn; 50% foreclosed. Mix: (Foreclosures) 31% condos, 23% land; 37% Va., 34% Fla. Financing: 7.1 leverage; \$32M bank credit to 12/79 accruing at 4% + contingency to 125% prime. Pledged assets. Earnings: Mar. Q EPS 22c. Bonds: Hold. Shares: Hold for modest recovery.
- 4N-FIRST WISCONSIN MT (EVAL 4/10/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$126M, 37% non- & 46% low-earn; 74% foreclosed; Mix: 19% condos, 31% apts., 29% land; 49% southeast (36% FL), 25% midwest. Financing: 9.0 leverage, \$85M bank debt at 1% or net income to 5/80. Earnings: Mar. Q EPS nil after 18c loss provision. Shares: Long recovery, some dilution.
- 2N-FLATLEY RLTY (EVAL 8/8/7-Prop&Mtg.-June FY) Self-adm. Port.: \$21M, 3% non- & 12% low-earn; 40% foreclosed; Mix: 39% apts., 51% shop. ctrs.; 94% Mass. Making some new investments. Holdings: 95% equity, 5% loans. Financing: 2.1 leverage, \$14M debt is 87% secured mtgs. Earnings: Mar. Q EPS d3c; CFS 2c. Fair profit expected June '79 FY. Shares: Buy pending workout progress, recovery toward book value possible.
- 2 -FLORIDA GULF (EVAL 8/8/7-Property-Apr FY) Port.: \$33M; Most Grant space filled. Mix: Over 93% shop. ctrs. (strip); 92% FL. Financing: 1.3 leverage; \$18M secured mtgs. Earnings: Apr. Q EPS 14c; CFS 34c; Apr. '79 FY E EPS 60-70c, CFS \$1.30, div. same. Div: 32c, 55% tax-free. Shares: Buy for yield & modest growth in overage rents and new properties.
- 3N-FRANKLIN RLTY (EVAL 8/26/7-Volun Prop-June FY) NON-QUAL TRUST, mgmt. services. Port.: \$33M, vacancies falling; Mix: 83% equity, 17% mtgs. Equities: 13 offices midwest & Fla., 5 apts., 2 motels, 1 land tract. Financing: 3.3 leverage; \$26M debt: 65% secured, 15% short, 20% conv. Earnings: Mar. Q EPS 14c after 7c NOL & 20c gain. Converts: Hold. Shares: Hold for earnings improvement, expanding real estate services.
- 2 -FRASER MTG (EVAL 12/14/7-ST mtg.-May FY) Port.: \$52M, E7% nonearn. after sale; Mix: 10% const., 12% land, 25% completed projects, 41% long term, 11% foreclosures; 31% Ohio, 25% Fla. Financing: 2.3 leverage; \$39M debt short term. Earnings: Feb. Q EPS 26c; May '78 FY E \$1 and rising. Div: 27c, up 1c. Making new investments. Sold at profit large foreclosed Florida land. Shares: Hold for recovery; Block of 8% bought.
- 3N-GMR PROP (formerly GULF) (EVAL 1/31/8-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Port.: \$85M, 44% non- & 22% low earn; 53% foreclosed; Mix: 26% apts., 26% land; 79% Southeast. Financing: 6.6 leverage; \$32M bank credit to 7/17/78 accruing at prime, payable 4% cash + conting. inter. to 125% prime for 5 yrs. Nego. ext. with similar terms. Earnings: May Q EPS d12c. Bonds: Hold for now. Shares: Recovery speculation.
- 1 -GENERAL GROW (EVAL 8/26/7-Property-Sep FY) Port.: \$301M, 0 problems; high quality. Mix: 76% shop. ctrs. (Major Midwestern malls), 14% apts., Financing: 6.7 leverage; \$267M debt: 91% secured mtgs.; \$25M 9-1/8% notes to 4/97. Earnings: Mar. Q EPS 39c & CFS 46c after 10c gain. Div: June 37c, about 60% tax-free. Shares: Buy on dips, unique development ability.
- 2 -GOULD INVST (EVAL 8/26/7-Property-Sep FY) Port.: \$38M, 2% nonearning; Holdings: 85% equity. Properties: NYC office (19% of port.), 5 apts., 15 strip ctrs, 8 restaurants, 2 offices. Financing: 3.6 leverage; 88% secured mtgs. Earnings: Mar. Q EPS 26c; EPS 15c. Div: June 20c. Shares: Speculative income, above average yield.
- 3 -GREIT RLTY (EVAL 8/26/7-Property-Oct FY) Port.: \$36M, several vacancies. Mix: 61% shop. ctrs., 29% offices & urban stores, 8% apts., 2% mtgs. Financing: 2.2 leverage; \$24M debt, all secured mtgs. Earnings: Apr. Q EPS 10c; CFS 18c. Div: July 10c. Shares: Hold for speculative income and re-leasing of vacant Dayton office space. Renovation to cause drain from this bldg.
- 5N-GRT AMER M&I (EVAL 5/23/8-Mtg/Forcl prop-Jul FY) NON-QUAL TRUST. Self-adm. Port.: \$321M, 91% nonearning; Mix: 83% foreclosed. 42% apts., 21% land. Financing: Total debt \$321M; \$58M neg. equity; Filed Chap. XI 3/77; Hearing 7/17/78 on SEC Ch.X motion; Proposed plan: secure assets for sr. creditors + equity for cash int.; deben. exch. Earnings: Apr. Q EPS 9c; foreclosures now positive cash flow. Bonds: Hold. Shares: Still risky.
- 3N-GROWTH REALTY (was LMI) (EVAL 4/10/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$112M, 38% non- & 17% low-earn; 59% foreclosed; Mix: 42% apts., 12% condos, 17% shop. ctrs; 32% TX. Financing: 5.9 lev.; \$60M debt to 12/81 w/int. accrued at prime payable at 2% or cash flow; pledging assets. Earnings: Mar. Q EPS d22c after 13c cap. gain. Bonds: Risky yield. Shares: Improved speculation.
- 5N-GUARDIAN MI (EVAL 5/23/8-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Self-admin. Port.: \$218M, 65% nonearn, 37% foreclosed; Mix: 48% land, 15% condos, 28% income-prod. prop. Financing: \$44M Neg. equity; Filed Ch. XI 3/8/78 saying banks wouldn't permit viability. Earnings: Feb. Q EPS d\$1.27; Feb. '78 FY d\$1.93 after \$5.81 gain. Bonds: Inter. default 6/77; Hold. Shares: Hold; Avoid new buys.
- 2N-HAMILTON INV (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$81M, 26% non- & 12% low earn, 39% foreclosed; Mix: 59% apts., 15% offices, 13% land; 37% Okla., 16% Fla. Financing: 4.6 leverage; \$49M credit to 6/78 @ 3 1/2% or net income w/contingent inter. to 130% prime. Renego. credit, aim to cure default, \$8M repay. overdue. Earnings: Mar. Q EPS d8c. Shares: Recovery spec. at 51% below book.
- 2N-HANOVER SQ RL (EVAL 4/10/8-ST mtg.-Aug FY) Port.: \$34M, 20% nonearn, 31% low-earn; 44% foreclosed; Mix: 68% residential, 17% shop. ctrs., 10% land; 48% Northeast. Temporarily stopped making new commitments. Financing: 1.9 leverage, \$16M credit @ 124% prime. Earnings: May Q 12c after 21c gain on deben. repurchase. Converts: Speculative income buy. Shares: Buy/hold for recovery.
- 3N-HEITMAN MTG (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) Port.: \$115M, 51% non- & 15% low-earn; 17% foreclosed; Mix: 30% shop. ctrs., 12% hotels, 18% offices, 22% land; 26% Ill., 11% other Midwest, 16% Cal. Financing: 10.5 leverage; \$51M debt to 4/79 at prime, \$20M to 4/79 at 1/2% over prime. Earnings: Mar. Q EPS 1c after 3c loss prov. & 14c back int. Converts: Higher risk hold. Shares: Recovery speculation.

RELATIVE APPEAL RANKINGS-continued from page 5

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 1 -HOSPITAL MTG (EVAL 9/21/7-LT mtg.-Feb FY) Port.: \$38M, 43% nonearn; 2% foreclosed; Mix 34% medical, 31% land, 18% apts., 13% condos; 2/3 Fla. Swapped two participations for 133 ac. in Houston. Financing: 0.5 leverage; \$9M bank debt; \$3M mtg. Earnings: May Q EPS 10c; E FY'79 EPS 50c, CFS 65c, div. 60c. Div: 15c. Shares: Buy, 6% yield, recovery at 57% below book. Liquidating non-earning mtgs.
- 3 -HOTEL INVESTOR (EVAL 9/21/7-Property-Aug FY) Self-adm. Port.: \$79M, 4% nonearn; 4% foreclosed; 51% equity/45% LT mtgs.; Mix: All hotels/motels, most national franchises; comcl. business travel oriented. Financing: 1.9 leverage; \$51M debt: 33% secured mtg., \$15M 9-3/4% for 15 yrs. Earnings: May Q EPS 37c; CFS 44c; E FY'78 EPS \$1.50. Div: 45c. Shares & Bonds: Buy/hold income. Occupancy & room rates up.
- 2 -HUBBARD REI (EVAL 6/17/7-Property-Oct FY) Port.: \$86M, E4% nonearning due to Grant vacancies. Mix: Most shopping centers & food stores. Net lessees: 20% Safeway, 17% Ashland Oil, 17% Chrysler. Financing: 97% equity. Earnings: Apr. Q EPS 41c; E FY'78 EPS \$1.70 on new basis, div. \$1.38-40. Div: 34c up 3%. 8 1/2 of 10 Grants re-leased. Shares: Buy for dividend increase prospects.
- 2 -ICM REALTY (RTR 6/9/8-Subor. land-Nov FY) Port.: \$99M, 57% non- & low-earn; 37% foreclosed; Mix: 50% apts., 26% shop. ctrs., 15% land; 39% land purch.-leasebacks; Financing: 0.9 leverage; \$39M debt: 54% secured mtgs., \$18M credit to 2/79 at 120% prime + 15% comp. bal. Earnings: May Q EPS 28c after 13c gain; E FY'78 EPS 60c; div. 30-40c avail. if no further losses taken. Div: 23.6c 3/78 from FY'77 income. Shares: Long term recovery.
- 4N-IDS REALTY TR (EVAL 4/10/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Port.: \$178M, 57% nonearn; 48% foreclosed; Mix: 33% shop. ctrs., 26% land, Financing: \$25M neg. equity; \$170M subor. debentures. Earnings: Apr. Q EPS 54c after \$1.26 extraordinary gains. Bonds: Tender at 80% of par for \$42M debent. to 8/4. Shares: High risk speculation; positive equity possible.
- 5N-INDEPENDENCE MTG (No Review-Mtg/Forcl prop-Jun FY) NON-QUAL TRUST. Port.: \$129M, 88% non- & low-earn; 64% foreclosed; Mix: 23% condos; 26% devel.; 16% Fla., 12% Texas, 14% Va., 13% Ill., 9% Ga. Financing: \$10M neg. equity; \$79M credit accruing at 1% w/conting. int & 110% collateral, to 6/1/79. Earnings: Mar. Q EPS dlc. Shares: Avoid.
- 2N-INDIANA M&R (EVAL 9/21/7-Prop&Mtg-Jun FY) Port.: \$58M, 30% non-earn; 11% foreclosed; Mix of 28M Mtgs: 57% land, 17% apts. & condos; of \$29M equities & foreclosures: 34% offices, 34% apts., 28% shop. ctrs. Financing: 4.6 leverage; \$44M debt; \$33M credit to 9/78 @ 6% + 120% prime contingent int. Earnings: Mar. Q EPS 1c; CFS 11c. Shares: Hold for improvement, operating at approx. break-even now before any changes in reserves.
- 4N-INSTITUT INV (EVAL 4/10/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-admin. Port.: \$124M, 65% nonearn; 20% low; 54% foreclosed. Mix: 16% apts., 12% condos, 51% land; 20% Fla., 11% Cal. Financing: 5.0 leverage; \$63M credit to 5/78 accruing @ 129% prime (1% paid in cash). Earnings: Apr. Q EPS d35c after 4c debt ext. gain. Bonds: Trading & spec. income; Restructuring planned. Shares: Trading.
- 2 -INVESTOR RLTY (RTR 12/9/7-Prop&Mtg.-Nov FY) CAN END REIT. Self-adm. Port.: \$45M, 19% non-earn. Mix: 54% apts., 15% shop. ctrs.; 86% property. Financing: 1.6 leverage; \$28M debt, 86% secured; \$2M bank debt to 5/78. Earnings: May Q EPS 30c; Feb. CFS 19c. Sold major GA apt. 4/78. Other sales pending. Div: June 12 1/2c. Shares: Interesting long-term recovery buy at 27% below book value.
- 2 -JMB REALTY (EVAL 9/21/7-Subor. land-Aug. FY) Port.: \$24M, 0% nonearn; Mix: 49% apts., 17% office, 17% shop. Ctrs.; 53% wrap-around mtgs., 17% land leasebacks; Financing: 1.4 leverage; \$4M open lines from bank. Earnings: Feb. Q EPS 46c; E FY'78 EPS \$1.80-85, div. \$1.80, extra possible. Div: 45c, up 5c. Shares: Buy/hold for speculative yield.
- 3N-KENTUCKY PROP (was KMC) (RTR 5/14/3-Mtg/forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$22M, 82% non- & low earn; 41% foreclosed; Mix: 23% apts., 25% land & devel.; 17% condo; 54% Kentucky. Financing: 7.4 leverage; \$12M debt to 5/1/78 at prime, 3% cash, balance deferred. Earnings: Nov. Q EPS 6c after 41c swap gain. Nov. '77 FY d54c. Shares: Situation believed improving; Private investor bought 9% of shares.
- 5N-LIFETIME COMMUNITIES, INC. (Formerly Fidelity) (No Review-Mtg/Forcl prop-Oct FY) Corporation. Port.: \$158M, 53% non- & 26% low-earn, 56% forecl. Settlement: Chap. XI emergence 1/78; Banks get 65% of \$163M debt over 6 yrs. + 47% of stock; sub. debt gets 10% + 15% of par + 5.2% of stock; 7.2 leverage; \$2.25/sh. book value. Earnings: Oct. Q EPS 7c after 4c tax benefit; Oct. FY EPS 94c after 47c tax benefit. Shares: High risk.
- 3N-LINCOLN MTG (RTR 12/10/3-Mtg-Forcl prop-Mar FY) NON-QUAL TRUST. Self-admin. Port.: \$22M, 80% non & low earn; 80% foreclosed; Mix: 70% apts, Financing: High leverage; \$7M bank credit left @ 1/2 over prime, due 12/78. Earnings: Mar. Q EPS d5c after 7c gain; Mar. FY d52c after 44c gain. Bonds & shares: Speculation on asset sales to repay banks; Bond restructuring likely after banks paid.
- 1 -LOMAS & NETTLETON MTG (EVAL 6/17/7-ST mtg.-June FY) Port.: \$246M, 20% nonearn; 21% foreclosed; Making new loans; Mix: 28% land acq. & devel. 45% Texas. Financing: 1.4 leverage; New 5-yr. \$100M credit permits \$50M more comm. paper. All debt floats. Earnings: Mar. Q EPS 43c; E FY'79 EPS & div. \$1.90-2.00. Div: 43c. Shares: Buy/hold, shares depressed by high int. rates. Little rate exposure, see \$10-\$15M nonearn. drop.
- 2 -M&T MTG INV (EVAL 6/9/8-ST mtg.-Aug FY) Port.: \$46M, 0.5% foreclosed; Making new loans; Mix: 81% const. & devel., 18% 1-family permanent; all Texas. Financing: 2.0 leverage; \$31M bank borrowings, all secured; sponsor provides compensating balances; \$14.6M unfunded commitments; Earnings: May Q EPS 28c. E FY'78 EPS & div. \$1.02-6. Div: 26c. Shares: Buy for stable yield, good relative value.
- 2N-MARYLAND RLTY (RTR 4/8/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$20M, 32% non- & 8% low-earn; 40% foreclosed; Mix: 32% apts., 32% land, 14% condos; All Fla. & GA. Financing: 1.7 leverage; \$12.6M credit at prime + 1/2 to 11/78; prime + 3/4 in FY'79; Assets pledged. Earnings: May Q EPS 17c after 6c NOL gain. Shares: Recovery speculation. Looking for \$2M new investments.
- 2 -MASSMUTUAL MTG (EVAL 1/31/8-LT mtg.-Oct FY) Port.: \$189M, 6% non- & 5% low-earning; 12% foreclosed; Mix: 37% shop. ctr. & retail, 33% apts.; 83% Long-term mtgs. New Commitments. Financing: 1.1 leverage; Small interest rate exposure. \$70M convert. debts. Earnings: Apr. Q EPS 38c after 3c debt & 3c sale gains; Oct. '78 FY E EPS \$1.45. Div: 34c, up 2c. Converts: Safe yield. Shares: Buy/hold at 28% below book value.
- 5N-METROPLEX RLTY (was Justice) (EVAL 6/9/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$26M, 100% nonearn; 50% foreclosed; Mix: land & lots. Financing: Ch. XI 12/77. High leverage; \$4M bank debt + \$9.6M sub. debts; 2/77 sub. debt int. missed & 25% of holders called debt. Earnings: Sep. Q EPS d19c after \$1.77 swap gain & 46c trans. gain. Sep. FY EPS \$2.67 after \$7.49 gain. Bonds & Shares: Avoid.
- 4N-MIDLAND MTG (EVAL 6/9/8-Mtg/Forcl prop-June FY) CAN END REIT. Port.: \$43M, 62% non- & low-earning; Mix: 20% apts., 20% condo, 40% land. Financing: High leverage; Swaps cut bank debt to \$10M, due 8/78 with interest accruing at 4% or net cash flow. Earnings: Mar. Q EPS d18c after 27c gain. Bonds: Tender exch. failed. Shares: Bankruptcy under consideration, future in banks' hands. One broker bought 6.8% of shares.
- 2 -MILLER HENRY S (EVAL 9/21/7-Prop&Mtg.-Feb FY) Port.: \$28M, 12% nonearn; 10% foreclosed; Mix: 56% shop. ctrs. owned, 23 1/2% land; Mostly Texas. Financing: 2.0 leverage incl. mtgs.; \$6M bank borrowings at 1/2 over prime to June 1, '78; \$12.6M mtgs. on prop. Earnings: May Q EPS 30c. Div: 25c, up 5c. Sold two offices, selling Kansas shop ctr. for \$700T gain. Shares: Buy for long-term recovery; Operating trend up.
- 3N-MISSION INV (EVAL 6/9/8-Mtg/Forcl prop-Nov FY) CAN END REIT. Self-adm. Port.: \$29M, 39% non & 24% low earn; 52% foreclosed; Mix: 40% land & devel., 22% residential, 39% commercial. Financing: 1.8 leverage; \$15M bank debt at prime (max 8 1/2%) to Nov. '79; Assets pledged. Earnings: Feb. Q EPS 15c after 28c gain. Shares: Trading/very long recovery; book value stabilizing. No concessions from banks. Seeks merger.
- 2 -MONY MTG INV (EVAL 1/31/8-LT mtg.-May FY) Port.: \$213M, 14% non- & low-earn; 5% foreclosed; Mix: 37% office, 30% multifamily, 15% shop. ctrs.; 42% LT mtgs.; Making new commitments. Financing: 1.5 leverage; \$100M bank lines at prime; \$56M comcl. paper; Earnings: May Q EPS 38c after 22c settlement from curing large apt loan; E FY'79 EPS 72c, div. 92c. Div: 23c. Convertibles: Safe yield. Shares: Buy/hold.

RELATIVE APPEAL RANKINGS-continued from page 6

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

2 -MORTGAGE GROWTH (EVAL 1/31/8-Prop&mtg.-Nov. FY) Port.: \$47M, 17% nonearn, 3% low earn; 17% held for sale; Mix: 61% apts., 26% office; 34% Calif. Financing: 0.6 leverage; \$7.7M converts held privately & \$10M secured; Earnings: May Q EPS 12c; Gross cash flow 20c; E FY'78 EPS 45c & div. 60-2c. Div: 15c, up 1c. Cash flow improving. Shares: Spec. buy/hold for long-term recovery and 7.7% yield.

3N-MTG INV WASHINGTON (EVAL 6/9/8-ST mtg.-Mar FY) NON-QUAL TRUST. Port.: \$71M, 55% non- & 1% low earn; 30% foreclosed; Mix: 20% hotel/motel; 14% shop. ctr; 16% condo/townhouse; Financing: 4.4 leverage; \$31M bank debt at 112½% of ½% over prime, to 12/15/79. Earnings: Dec. Q EPS \$1.14. Bonds: Risky yield. Shares: Trading, recovery potential.

2N-MTG TRUST OF AMER (EVAL 6/9/8-ST mtg.-Nov. FY) Port.: \$97M, 42% non- & 7% low earn; 26% foreclosed; Mix: 24% land & devel., 17% condos, 19% apts.; 17% Calif.; Financing: 1.0 leverage; \$27M bank debt at full-rate int.; new \$20M credit permits new investments. Earnings: May Q EPS 48c after 42c int. recovery. Shares: Buy/hold for recovery at 44% below book value.

5N-NATIONAL MTG (RTR 5/14/3-Mtg/Forcl prop-Feb. FY) NON-QUAL TRUST. Port.: \$36M, 85% non- & 12% low earn; 59% foreclosed; Mix: 55% land, 13% comcl; Financing: 2.5 leverage; \$14M secured credit; Chapter XI settlement confirmed & deb. holders got cash, new notes & shares. Earnings: Feb. '78 FY EPS d8c after 47c gain from debt extinguishment. Shares: Extreme risk that land holdings will be difficult to market.

3 -NATIONWIDE RE (EVAL 6/17/7-ST mtg.-Mar FY) Port.: \$43M, 38% non-earn; 29% foreclosed; Halted new loans, Mix: 25% medical, 14% condos, 11% land; 30% Ohio, 17% Ind. Financing: 0.7 leverage; \$16M bank lines. Earnings: June Q EPS 26c after 16c int. recovery. Div: 14c incl. 4c extra taxable income. Converts: High yield. Shares: Spec. and slow L/T recovery from 50% below book value. Seeks merger, otherwise will liquidate.

2 -NEW PLAN REALTY (EVAL 8/26/7-Property-July FY) Self-admin. Port.: \$20M, 0% non-earning; Mix: 71% shop. ctrs. owned, 14% residential. Bought 110T sf shop. ctr. NY. Financing: 2.4 leverage; Debt 80% mtgs. on prop., 20% sub debent. Earnings: Apr. Q EPS 27c. E FY'79 EPS operations \$1.05-10. Div: Monthly 8½c. Shares: Buy/hold for good quality yield and improving income.

5N-NJB PRIME INV (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-admin. Port.: \$67M, 71% nonearn; 46% foreclosed; Mix: 43½% motor lodges/restaurants, 27½% condos. Financing: \$8M neg. equity; Proposed swap for all \$38M bank debt; Exchange: \$20 cash for \$100 deb. or \$15 + \$35 in new conv. deb. ext. to 7/17, only 41% accepted. Preparing for Ch. XI. Earnings: Feb. Q EPS d63c after 9c loss prov. Bonds & Shares: High risk speculation.

3N-NORTH AMER MTG (EVAL 4/10/8-Mtg/forcl prop-Dec FY) Port.: \$136M, 48% non- & 45% low-earn; 61% foreclosures; Mix: 50% apts., 10% land; 34% Fla. Financing: 2.4 leverage; \$37M demand bank notes. Earnings: Mar. Q EPS d34c. Bonds: Hold 8½s, 5½s won't be repaid in '79. Shares: Recovery potential from large apt. holdings but progress slower than expected.

2N-NORTHWESTERN FIN (RTR 4/14/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$35M, 29% nonearn; 35% foreclosed; Mix: 7% apts., 6% office, 7% land, 44% inter-long; 50% N. Caro. Financing: 0.5 leverage; \$10M revolving bank debt at ½% over prime, extended to 8/31/78. Earnings: Mar. Q EPS 8c after 3c gain & int. recovery. Profit continuing in 1978. Shares: Recovery and/or liquidation speculation; Broker bought 13%.

2 -NORTHWESTERN MUT LF MTG (EVAL 1/31/8-LT mtg.-Mar FY) Port.: \$235M, 8% non- & 6% low-earn; 14% foreclosed; Mix: 24% office, 27% shop. ctrs., 9% land; 60% permanent mtgs. Financing: 1.6 leverage; \$77½M open bank lines; \$24M comcl paper. Earnings: June Q EPS 49c after 33c sale gain. Div: 25c. Being helped by cap. gains & est. \$1 rate payout. Converts: Safe. Shares: Buy, difficulties appear discounted.

2 -PACIFIC SOUTHERN (EVAL 1/31/8-LT mtg.-Mar FY) Self-admin. Port.: \$11M, 29% nonearn & foreclosed; Mix: 64% comcl. loans, 29% foreclosed land & condo; 5% leasebacks. Bought commercial prop. Financing: No debt. Earnings: Mar. Q EPS 13c. Div: 16c. Legal expenses to cause dividend fluctuation over '78-'79 FY. Shares: LT recovery or buyout candidate plus spec. yield; President bought 5½% of shares.

2 -PENNSYLVANIA REIT (EVAL 8/26/7-Property-Aug FY) Port.: \$72M, 0.3% nonearning; Mix: 38% apartments, 36% shopping centers. Financing: 3.1 leverage, 90% mtgs on property owned; borrows under \$6½M bank lines. Earnings: Feb. Q EPS 24c; CFS 36c. E FY'78 EPS over \$1.20 + gains. Div: 62½c semi-annually. \$630T gain from prop. sale in June. Seeking new investments. Shares: Buy/hold long-term for yield & gains.

5N-PLAZA REALTY (EVAL 10/27/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-admin. Port.: \$31M, 73% nonearn; 71% foreclosed; Mix: 45% apts., 16% land, 50% equity. Financing: 16.3 leverage, incl. \$16M mtgs.; Signed new \$9M credit at 1% cash or earnings to 1983 up to prime. 73c/sh. accrued interest forgiven. Earnings: Dec. Q EPS d50c after 42c loss prov. No auditor's opinion '76. Shares: Avoid or trade only.

2 -PNB MTG & RLTY (RTR 6/9/8-LT mtg.-Sep FY) Port.: \$122M, 12% non & low earning; 11% foreclosed; Mix: 30% LT mtgs., 19% property owned; 34% apts., 24% office & indust., Financing: 1.8 leverage; \$27M comcl paper. Earnings: Mar. Q EPS 16c, CFS 20c. E FY'78 earn. rising. Div: 20c. Adding new assets. Shares: Buy LT recovery at 49% below book value, small int. exposure.

3 -PROPERTY CAPITAL (EVAL 6/17/7-Subor. land-July FY) Port.: \$54M, 1% non-earn; Mix: 39% apts., 28% office, 21% shop. ctrs.; 61% leasebacks, 39% LT mtgs. Making new investments when available. Financing: 0.9 leverage; \$22M bank lines; \$11M borrowed at ½% over prime. Earnings: Apr. Q EPS 30c. Div: 30c. E FY'79 EPS & div. \$1.20. Shares: Buy-hold for yield & long term recovery; Some interest exposure.

2 -PROPERTY TRUST OF AMER (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Self-admin. Port.: \$31M, 14% nonearn; 15% mtgs., 8% foreclosed, 75% investment prop; Mix: 33% apts., 26% office, 21% shop ctrs.; 81% Texas. Financing: 0.9 leverage, 92% \$14M mtgs. on property. Earnings: Mar. Q EPS 2c after 3c cap. gain & 3c charge; CFS 5c after gain. Div: 7c. Shares: Hold for recovery; Bought back 5% of shares from Federated Dev.

3 -RLTY & MTG OF PACIFIC (RAMPAC) (EVAL 1/31/8-LT mtg.-Nov. FY) Port.: \$84M, E15% low-earn; E15% foreclosed; Mix: 64% loans; 26% hotel/motel, 18% office; 31% equity; 47% Calif., 19% Hawaii. Financing: 1.5 leverage; \$40M credit to 11/82: \$20M comm. paper backing and \$20M line @ 115% of prime to 9% maximum. Earnings: May Q EPS 31c; E FY'78 EPS \$1.22, div. \$1.28 incl. not less than 10c/sh. depreciation. Div: 32c. Converts & Shares: Hold, vulnerable to interest rates.

3 -REIT OF AMERICA (EVAL 6/17/7-Property-Nov FY) Port.: \$45M, Properties 9% vacant overall; Mix: 42% shop. ctrs., 24% office, 21% industrial; 45% Calif., 13% Mass.; Financing: 0.4 leverage, all mtg. debt. Earnings: May Q EPS 31c. E FY'78 EPS \$1.12-15, div. \$1.20. Div: 30c. Shares: Hold long term improvement of property yield.

3 -REALTY INCOME (EVAL 10/27/7-Prop&Mtg.-Apr FY) Self-admin. Port.: \$70M, 32% non- & 14% low-earn; 44% foreclosed; Mix: 19% apts., 31% office. Financing: 3.4 leverage; \$18M under \$23½M bank lines at prime; \$20M term at 1½% over prime to '77-80. Earnings: Apr. Q EPS d56c, Apr. FY d70c after 27c gain. Div: 35c, paying cap. gains. Converts: Yield. Shares: Hold LT for portfolio upgrading benefits, problem property being eliminated to lessen losses. European group bought 20% of shares. Letter of agreement for sale of large Calif. land tract.

3 -REALTY REFUND (EVAL 10/27/7-LT mtg.-Jan FY) Port.: \$57M, no problems; Mix: 80% wraparound mtgs., 20% LT mtgs.; 43% apts., 21½% office, 19% industrial. Financing: 1.3 leverage; \$9M debt at 3/4% over prime to 5/79, S\$old \$15M deb. at 12% '98 to S/T debt. Earnings: Apr. Q EPS 51c. E FY'79 EPS & div. \$1.90-95. Div: 51c, down 4c. Shares: Hold; EPS partly sensitive to prime.

4N-REPUBLIC MTG (EVAL 6/9/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$49M, 57% non- & 21% low-earn; 77% foreclosed. Mix: 28% land acq. & devel., 19% condo, 13% apts.; 62% Florida. Financing: 3.6 leverage; \$25M credit to 6/30/78 at 3% cash or net cash income, plus contingent inter.; Auto. exten. to 1/79 if \$1.3M repay. made. Earnings: Mar. Q EPS d30c after 20c loss prov. 20c swap gain in June Q. Shares: Trading, spec. recovery.

3 -RIVIERE REALTY (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Port.: \$24M, 2% nonearning; 2% foreclosed; Mix: 38% apts., 33% office, 15% motel, 39% D.C. area, 51½% Ind. Financing: 2.5 leverage, 62% mtgs. on property; \$2.8M secured term loan at 10½% to 3/80; 10% to 3/83. Earnings: Mar. Q EPS 17c after 4c cap. gain; Dec. CFS 24c. 1978 operations substantially improved. Div: 14c, up 1½c. Shares: Buy/hold more speculative yield.

2 -SAN FRANCISCO RE (EVAL 6/17/7-Property-Dec FY) Self-admin. Port.: \$58M, 9% nonearn; 9% foreclosed; Mix: 52% office, most bank occupied; 9% apts. Financing: 1.0 leverage, all \$28M mtgs. on prop.; No bank debt. Earnings: Mar. Q EPS 23c after 9c loss prov; CFS 34c. E FY'78 EPS & div. \$1.20-30. Div: 30c. Credit restrictions lifted. Seeking new equity investments. Shares: Buy/hold at 24% below book value.

3N-SAUL (B.F) REIT (RTR 4/14/8-Prop&Mtg.-Sep FY) WILL END REIT. Port.: \$272M, 13% non- & 8% low-earn; Mix: 88% property including 35% shop. ctrs., 33% apts.; Financing: 7.5 leverage; \$116M revolver at 125% of prime to 4/30/79; mortgaging properties for \$51M for 15 yrs. Earnings: Mar. Q EPS d20c after 8c gain; E FY'79 EPS breakdown, no div. Bond & converts: For yield. Shares: Losses narrowing but vulnerable to higher prime; Buy on dips for possible div.

RELATIVE APPEAL RANKINGS-continued from page 7

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 3N-SECURITY MTC (EVAL 10/27/7-Mtg/Forcl prop-Sep FY) CAN END REIT. Port.: \$134M, 27% non-earn; 21% foreclosed; Mix: 38% one-family home improvement second mtgs., 46% comcl. mtgs., 17% mtgs. on medical facil; Financing: 2.1 leverage; \$38M bank credit at 125% of prime extended to 3/30/79; Earnings: Mar. Q EPS d1c after 3c debt ext. gain. E FY'78 EPS breakeven, no div. Bonds: Attractive for yield. Shares: Trading/recovery
- 4N-SOUTH ATLANTIC (was Atico) (EVAL 6/17/7-Mtg/Forcl prop-Oct. FY) NON-QUAL TRUST. Self-adm. Port.: \$128M, 72% non- & 17% low-earn, 80% foreclosed; Mix: 51% apts/condos, 27% land; 90% Fla. Financing: 10.2 leverage; one bank balks at new \$72M bank credit to accrue at prime rate, causing default. Earnings: Jan. Q EPS d57c. Bonds: Feb. int. 6 3/4s default. Shares: Avoid or speculate on resolving bank pressure.
- 3N-STATE MUTUAL (EVAL 1/31/8-Mtg/Forcl prop-Mar. FY) NON-QUAL TRUST. Port.: \$58M, 78% non- & low-earn; Mix: 14% hotels, 26% apts.; 22% land. Financing: 1.3 leverage; Sponsor bought \$50M assets reducing sr. debt to \$20M at 2% to 7/79. Earnings: Mar. Q 4c after 2c gain. Bonds: Hold. Shares: Interesting speculation on further recovery.
- 2N-SUMMIT PROP (EVAL 8/26/7-Property-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$50M, 5% non- & low-earn; Mix: 46% shop. ctrs. 13% apartments, 14% truck terminals. Financing: 3.5 leverage. Earnings: Jan. Q EPS d5c & CFS 17c after 5c cap. gain. FY'78 to be profitable. Shares: Spec. attractive for asset realignment, re-leasing of vacancies. Big sale called off.
- 2 -SUTRO MTG INV (EVAL 10/27/7-ST mtg.-Mar FY) Port.: \$64M, 12% non- & 27% low-earn; 34% foreclosed; Mix: 30% office, 14% hotel/motel, 22% indust.; most CA. Financing: 0.7 leverage; \$38M credit at .375 over prime to 12/31/78 + 10% +10%; Earnings: Mar. Q EPS 20c. Funding new commitments. E FY'79 EPS 80c-\$1. Div: 22c up 13%. Converts: Safe yield. Shares: Buy for L/T recovery at 37% below book value.
- 3N-TMC INDUSTRIES (RTR 12/22/7-Mtg/Forcl prop-Mar FY) INC. Port.: \$9M non-earning condos in Puerto Rico, \$70M carpet co. assets. Financing: \$1M Neg. equity; Assets pledged; Swapped many assets and cut bank debt to \$5.2M. Earnings: Dec. Q EPS d14c. Shares: Long-term speculation potential in purchase of carpet co. with borrowed funds; high risk.
- 3N-TEXAS FIRST MTG (EVAL 6/9/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$18M, 71% nonearn; 58% foreclosed; Mix: 37% land, 9% office, 11% one-fam. land; Financing: 0.8 leverage; \$7M bank credit at prime to 9/78, max. 8%, 3% paid in cash; assets pledged. Earnings: Mar. Q EPS 1c after 2c gain. Merger sought. Shares: Speculation on further Texas land recovery or favorable merger.
- 3N-TIERCO (EVAL 6/9/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$40M, 30% non- & 41% low-earn; 29% foreclosed; Mix: 38% apts., 22% land; heavy Okla. & TX: Financing: E2.9 leverage; \$6M bank debt at 3% min. inter. + accrual to prime, to 6/80, incentive for prepay. cancel. 50% defer. int. notes. Earnings: Mar. Q EPS d7c. Shares: Spec. recovery on Texas land, operating improving nearing breakeven.
- 4N-TRI-SOUTH MTG (EVAL 4/10/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$120M, 84% nonearning; 65% foreclosed; Mix: 36% land; 28% GA, 17% Tex., 24% Fla.; Financing: 9.7 leverage; Bank debt at 4% cash inter. or net cash income. Earnings: Mar. Q EPS d23c. Bonds: In default. Tender failed when only 43% took new 10% sr. convt. Int. on old debts. can't be paid. Shares: Uncertain with debts. in default.
- 4N-UMET TRUST (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$132M, 21% nonearn; 74% foreclosed; Mix: 21% condos, 22% apts., 18% shop. ctrs., 19% office; Financing: \$1M neg. equity; \$77M credit to 8/79 at 6% + contingent int.; Earnings: May Q EPS d\$2.16. Shares: Speculative; operating loss widened worsening outlook. Interest forgiveness possible in '79.
- 2 -UNITED REALTY (EVAL 1/31/8-LT mtg.-Nov FY) Port.: \$83M, 34% non- & 6% low-earn; 28% foreclosed; Mix: 18% GNMA's (pledged), 24% office, 20% apts.; Financing: 0.2 leverage; Pledged GNMA's to repay banks \$7M; Earnings: May Q EPS 20c after 2c gain. E FY'78 EPS & div. 82-85c. Div: 20c. Shares: Buy at 43% below book value for benefits from gradual problem loan solution. Funded two new loans.
- 2 -US BANCORP TRUST (EVAL 10/27/7-Prop&Mtg.-May FY) Port.: \$49M, E8% nonearn & 12% low; 17% foreclosed; Mix: 57% prop. owned or under construction, most indust., rest office; Financing: 2.3 leverage; \$29M credit to 2/18/79 at 120% prime. Earnings: Feb. Q EPS 11c; CFS 27c. Div: Resumed with 15c Q + 10c special. Converts: Low but safe yield. Shares: LT recovery, good equity base, positive cash flow. Problems reduced sharply.
- 2N-US REALTY INV (RTR 12/9/7-Prop&Mtg.-Dec FY) NON-QUAL TRUST. Port.: \$89M, E17% nonearn & 16% low; Mix: 38% mtgs., 62% owned property, Financing: 5.1 leverage; \$25M at 125% of prime payable at 5 3/4% or cash flow. Earnings: Mar. Q EPS d6c; CFS 7c. E FY'78 positive EPS. Converts: OK for risk income. Shares: Buy/hold for long-term recovery. In strong uptrend; reducing mtgs. & debt, increasing properties.
- 2 -VIRGINIA RE (EVAL 10/27/7-Prop&Mtg.-Dec FY) self-adm. Port.: \$38M, 17% foreclosed & non-earning; Mix: 92% property, 8% mtgs.; Financing: 1.9 leverage, 75% mtgs. on property; \$5M bank debt being repaid by \$11.7M refinancing. Earnings: Mar. Q EPS 5c & CFS 16c after 3c prepay penalty. Div: June 15c, up 5c. Shares: Hold/Buy for long term recovery plus improved property results.
- 3N-WACHOVIA REALTY (EVAL 4/10/8-Mtg/Forcl prop-Aug FY) Port.: \$104M, 38% nonearn & 30% low; 43% foreclosed; Mix: 12% apts., 19% land & devel., 20% comcl., 11% hotel/motel; Financing: 1.7 leverage; \$54M debt to 7/79 at prime + contingent interest at 125% of prime. Earnings: May Q EPS d18c. Shares: Speculation on long term recovery, asset disposition.
- 3N-WALTER REALTY (EVAL 10/27/7-Prop&Mtg.-July FY) NON-QUAL TRUST. Port.: \$32M, 66% nonearn; 44% foreclosed; 20% property. Mix: 22% indust., 16% offices; 12% land; 47% Fla. Sold 5 prop. for \$9M. Financing: 3.0 leverage; \$5M bank debt to 10/78 @ 117% prime; Sold non-earn & reduced debt \$4M. Earnings: Apr. Q EPS d40c. Shares: Hold for long recovery and benefits of property sales.
- 2 -WASHINGTON REIT (EVAL 8/26/7-Property-Dec FY) Port.: \$32M, no nonearning; Mix: All property, 98% in Washington, D.C. area; 54% high-rise apts., 23% shop. ctrs., 23% distrib. office. Financing: 0.8 leverage, 84% mtg. debt; 15% bank debt. Earnings: Mar. Q EPS 34c, Dec. CFS 55c; E FY'78 EPS \$1.50-60, div. \$1.80. Div: 45c. Shares: Buy/hold for income, top quality assets, condo potential in apts.
- 3 -WELLS FARGO M&E (EVAL 8/26/7-Prop&Mtg.-June FY) Port.: \$185M, 7% non- & 24% low-earn; 15% foreclosed; Mix: 39% apts., 16% development. Financing: 1.6 leverage; Borrows under \$168M open lines backing \$108M commercial paper rated A-2. New commitments. Earnings: Mar. Q EPS 30c after 3c gain & 5c recovery of past due interest. Div: 30c. Shares: Hold for recovery; small interest risk.
- 2N-WESTERN MTG (RTR 12/9/7-ST mtg.-Feb FY) Port.: \$19M, 14% non- & 10% low earn; 12% foreclosed; Mix: 19% land acq. & devel., 29% apts. Making new commitments. Financing: 1.4 leverage; \$9M revolver at 1/2% over prime, plus \$2M from banks payable over 2 1/2 years. Earnings: May Q EPS 2c. E FY'79 EPS positive. Shares: Speculative buy for recovery and dividend resumption.
- 2N-WESTPORT CO. (was HNC) (EVAL 1/31/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$83M, 49% non- & 16% low-earn; 52% fore.- 16% operating & held for inv. Mix: 7% condos, 22% land, 12% apts., 19% offices, 13% sports ctrs. Financing: 5.7 leverage, \$53M bank debt to 8/79 at 2 1/2-5% or net income w/conting. int. to 8%. Earnings: Apr. Q EPS d3c after 16c swap gain. Converts: Possible tender. Shares: Speculative buy.
- 2N-WISCONSIN REIT (EVAL 8/26/7-Prop&Mtg-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$32M, 12% nonearning; Mix: 75% property, 12% construction inventory. Financing: 3.2 leverage, \$21M mtg. debt; \$3M short term. Earnings: Mar. EPS 1c & CFS 8c after 12c cap. gain. Bought Fla. homebuilder and developing land. Nego. for Riverside Prop. with \$6M assets. Shares: Spec. on improving trend; Group bought 8.4% of shares.

REIT STATUS: All trusts listed except those noted qualify as real estate investment trusts and are exempt from Federal income taxes to extent they distribute 90% of income to shareholders. Qualified trusts may use net operating loss (NOL) carryforwards to shelter future profits and rebuild capital. Non-qualified trusts have no dividend distribution required and three stages in transition are shown: VOTING POWER TO END REIT STATUS when a proposal is pending before shareholders to give trustees discretion over whether to continue to qualify; CAN END REIT STATUS, when shareholders have given trustees power to end qualification; and NON-QUAL TRUST, when trustees have ended qualification and the entity operates as a business trust taxed as a corporation. Trustees of these entities generally have made no decision on whether to requalify and investors should not assume they will requalify and pay dividends even if profits are restored. The 1976 Tax Reform Act imposed some restrictions to requalification.